

GUARDIANSHIP AND TRUSTS CORPORATION

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
JUNE 30, 2005 AND 2004**

GUARDIANSHIP AND TRUSTS CORPORATION

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(INDEPENDENT AUDITORS' REPORT)

To the Board of Directors
Guardianship and Trusts Corporation
Nashville, Tennessee

We have audited the accompanying statements of financial position of **Guardianship and Trusts Corporation** (a nonprofit organization) as of June 30, 2005 and 2004, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Guardianship and Trusts Corporation** as of June 30, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

CPA Consulting Group, PLLC

September 27, 2005

GUARDIANSHIP AND TRUSTS CORPORATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 88,056	\$112,848
Board Discretionary Account	1,271	1,400
Accounts receivable	156,536	154,906
Prepaid expenses	2,772	22,829
Temporarily Restricted Asset	10,440	10,440
TOTAL CURRENT ASSETS	<u>259,076</u>	<u>302,423</u>
PROPERTY AND EQUIPMENT – NET	<u>13,118</u>	<u>18,331</u>
OTHER ASSETS		
Investment in restricted stock	<u>8,000</u>	<u>8,000</u>
TOTAL ASSETS	<u><u>\$280,193</u></u>	<u><u>\$328,754</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 0	\$ 310
Wages payable	6,079	5,745
Accrued payroll taxes	635	453
Accrued vacation	2,220	4,083
TOTAL CURRENT LIABILITIES	<u>8,934</u>	<u>10,591</u>
NET ASSETS		
Unrestricted	250,997	293,165
Temporarily restricted	12,262	16,998
Permanently restricted	8,000	8,000
TOTAL NET ASSETS	<u>271,259</u>	<u>318,163</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$280,193</u></u>	<u><u>\$328,754</u></u>

See accompanying notes to financial statements and accountants' report.

GUARDIANSHIP AND TRUSTS CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005				2004			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND OTHER SUPPORT								
Institutional service fees	\$ 5,778	\$ -	\$ -	\$ 5,778	\$ 21,601	\$ -	\$ -	\$ 21,601
Conservator and guardianship fees	187,964	-	-	187,964	220,003	-	-	220,003
Attorney-in-fact fees	6,318	-	-	6,318	4,172	-	-	4,172
Trustee fees	55,701	-	-	55,701	63,783	-	-	63,783
United Way	54,290	58,664	-	112,954	31,643	77,860	-	109,503
Investment income	942	-	-	942	1,647	-	-	1,647
Other income	-	-	-	-	-	-	-	-
Net assets released from restrictions	63,400	(63,400)	-	-	122,320	(122,320)	-	-
TOTAL REVENUE AND OTHER SUPPORT	374,393	(4,736)		369,657	465,169	(44,460)		420,709
EXPENSES								
Program services								
Bank charges	32	-	-	32	277	-	-	277
Client expenses	-	-	-	-	4,384	-	-	4,384
Contract services	-	-	-	-	42	-	-	42
Depreciation	4,431	-	-	4,431	4,802	-	-	4,802
Dues & subscriptions	1,430	-	-	1,430	1,379	-	-	1,379
Education & training	1,066	-	-	1,066	5,082	-	-	5,082
Equipment rental & maintenance	2,713	-	-	2,713	2,609	-	-	2,609
Employee benefits	20,441	-	-	20,441	21,059	-	-	21,059
Examination fees – TDFI	500	-	-	500	500	-	-	500
Insurance	9,954	-	-	9,954	9,230	-	-	9,230
Licenses & permits	732	-	-	732	1,349	-	-	-
Miscellaneous	466	-	-	466	-	-	-	1,349
Office expense	4,835	-	-	4,835	6,906	-	-	6,906
Payroll taxes	15,940	-	-	15,940	20,483	-	-	20,483
Professional services	35,828	-	-	35,828	37,330	-	-	37,330
Rent	30,524	-	-	30,524	30,524	-	-	30,524
Salaries	194,349	-	-	194,349	239,338	-	-	239,338
Taxes - Other	-	-	-	-	12	-	-	12
Telephone	3,979	-	-	3,979	4,303	-	-	4,303
Travel/mileage/parking	9,892	-	-	9,892	10,938	-	-	10,938
Total program services	337,112	-	-	337,112	400,547	-	-	400,547
Support services								
Bank charges	-	-	-	-	-	-	-	-
Contract services	-	-	-	-	8	-	-	8
Depreciation	782	-	-	782	848	-	-	848
Dues & subscriptions	-	-	-	-	460	-	-	460
Employee benefits	5,110	-	-	5,110	1,965	-	-	1,965
Equipment rental & maintenance	479	-	-	479	461	-	-	461
Examination fees – TDFI	500	-	-	500	500	-	-	500
Insurance	1,757	-	-	1,757	1,629	-	-	1,629
Licenses & fees	183	-	-	183	238	-	-	-
Miscellaneous	82	-	-	82	-	-	-	238
Office expense	726	-	-	726	1,047	-	-	1,047
Payroll taxes	3,985	-	-	3,985	2,740	-	-	2,740
Professional fees	8,957	-	-	8,957	1,244	-	-	1,244
Rent	5,387	-	-	5,387	5,386	-	-	5,386
Salaries	48,587	-	-	48,587	32,020	-	-	32,020
Taxes - Other	-	-	-	-	2	-	-	2
Telephone	442	-	-	442	759	-	-	759
Travel/mileage/parking	2,472	-	-	2,472	2,734	-	-	2,734
Total support services	79,449	-	-	79,449	52,041	-	-	52,041
Fund raising	-	-	-	-	-	-	-	-
TOTAL EXPENSES	416,561	-	-	416,561	452,588	-	-	452,588
CHANGE IN NET ASSETS	(42,168)	(4,736)	-	(46,904)	12,581	(44,460)	-	(31,879)
NET ASSETS:								
BEGINNING OF YEAR	293,165	16,998	8,000	318,163	280,584	61,458	8,000	350,042
END OF YEAR	\$ 250,997	\$ 12,262	\$ 8,000	\$ 271,259	\$ 293,165	\$ 16,998	\$ 8,000	\$ 318,163

See accompanying notes to financial statements and accountants' report.

GUARDIANSHIP AND TRUSTS CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$(46,904)	\$(31,879)
Adjustments to reconcile increase in net assets to net cash flows provided by operating activities:		
Depreciation	5,213	5,650
(Increase) decrease in operating assets		
Accounts receivable	(1,630)	(11,051)
Prepaid expense	20,185	(10,807)
Temporarily restricted asset	-	2,088
Increase (decrease) in operating liabilities		
Accounts payable	(310)	(1,836)
Accrued wages	334	2,303
Accrued vacation	(1,863)	(1,505)
Accrued payroll taxes	183	188
	<u>183</u>	<u>188</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(24,792)</u>	<u>(46,849)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	<u>-</u>	<u>(1,175)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>-</u>	<u>(1,175)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on lease obligation	<u>-</u>	<u>-</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET (DECREASE)/INCREASE IN CASH	(24,792)	(48,024)
BEGINNING CASH	<u>112,848</u>	<u>160,872</u>
ENDING CASH	<u>\$ 88,056</u>	<u>\$ 112,848</u>

See accompanying notes to financial statements and accountants' report.

GUARDIANSHIP AND TRUSTS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General and Nature of Activities

The Guardianship and Trusts Corporation ("GTC") was incorporated under the laws of the State of Tennessee as a nonprofit organization in December 1980. In March 1983, GTC was issued a Certificate of Authority by the department of banking to provide limited trust services. GTC was formed to provide financial, medical advisory and other fiduciary services to persons mentally handicapped. Their services are provided in the capacity of trustee, guardian, conservator, and/or attorney-in-fact primarily in the Middle Tennessee area.

Financial Statement Presentation

GTC has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

It is GTC's policy to capitalize property and equipment over \$100. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Absent donor stipulations regarding how long those donated assets must be maintained, GTC reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. GTC reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the estimated useful life of five to seven years.

Investment in Restricted Stock

The investment in restricted stock is comprised of qualified real estate investment trust stock donated to the organization. It is stated at its par value, which is the liquidating value in accordance with the stock restriction agreement.

GUARDIANSHIP AND TRUSTS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

GTC has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

Conservator and Guardianship Fees

Fees are recognized as the service is provided based on accumulated time, plus out-of-pocket expenses. Based on management experience and the nature of court authorized payments, fee adjustments are made at the time of fee motion. Consequently, no allowance is considered necessary.

Promises to Give

Contributions are recognized when the donor makes a promise to give to GTC that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending upon the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

GTC uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Contributed Services and Facilities

Contributions of donated noncash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. No amounts have been reflected in the statements for time donated by unpaid volunteers for GTC's leadership, activities and fund raising events.

Income Taxes

GTC is a not-for-profit corporation that is exempt from income taxes on income under Section 501(c)(3) of the Internal Revenue Code, and is not considered a private foundation.

GUARDIANSHIP AND TRUSTS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 2 - RESTRICTED CASH

GTC maintains separate accounts for funds from grants with restrictions and for funds restricted for fiduciary services. Funds are transferred to the operating account to be used for their intended purpose as specified in the restrictions. The fiduciary account includes certain board designation of unrestricted contributions. The grant account primarily holds funds received from a United Way grant. Interest earned on these accounts is recorded as unrestricted as designated by the Board.

NOTE 3 – BOARD DISCRETIONARY ACCOUNT

The President of the Board was entrusted with a discretionary fund to be used for human resource purposes and is held in an attorney escrow account. Disbursements are made at his discretion and reported to the Board. The balance at June 30, 2005 and 2004 was \$1,271 and \$1,400 respectively.

NOTE 4 – TEMPORARILY RESTRICTED ASSET

In prior years, GTC received several funeral plots for clients without the financial means for burial. These plots are released as the need arises. The funeral plots were originally recorded as prepaid expenses. However, the Board decided to reclassify the plots as a temporarily restricted asset because it is a more meaningful presentation. One funeral plot was released during the year ended June 30, 2004 and the cost is included in client expenses on the statements of activities. The balance of plots available as of June 30, 2005 and 2004 was \$10,440.

NOTE 5 - INVESTMENTS

Investments for the years ended June 30, 2005 and 2004 were valued at \$8,000 and are permanently restricted. The cost of the investments is equal to the carrying value. Dividends from the stock were \$ 260 for the year ended June 30, 2005 and \$205 for the year ended June 30, 2004 and are included in unrestricted investment income in the statements of activities.

GUARDIANSHIP AND TRUSTS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2005</u>	<u>2004</u>
Office furniture & equipment	\$ 57,157	\$ 57,157
Accumulated depreciation	(44,039)	(38,826)
	<u>\$ 13,118</u>	<u>\$ 18,331</u>

NOTE 7 - LEASING ARRANGEMENTS

On December 1, 2000, GTC entered into a five year operating lease agreement, for the rental of office space at \$2,771 per month, increasing by \$.50 per square foot each year. The lease expires November 30, 2005.

On May 29, 2003, GTC entered into an operating lease agreement for a postage scale and meter. The lease requires quarterly payments of \$306 through October 25, 2006.

On December 1, 2000, GTC entered into a month-to-month agreement to lease parking spaces for its employees. The employees reimburse a nominal amount through payroll deductions. The net cost is included in travel/mileage in the statement of activities.

On February 17, 2005, GTC entered into an operating lease arrangement for the rental of a copier. The lease requires monthly payments of \$188 through January 17, 2009.

Future minimum lease payments under all cancelable operating leases are as follows:

Fiscal year ending June 30,	<u>Operating</u>
2006	\$ 19,551
2007	3,174
2008	2,256
2009	1,316
	<u>\$ 26,297</u>

Rent expense for each of the years ended June 30, 2005 and 2004 was \$35,910. These expenses have been reported in various classifications based upon the related functional use.

GUARDIANSHIP AND TRUSTS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 8 - DONATED SERVICES AND EXPENSES

GTC receives donated services from a variety of unpaid volunteers assisting in financial, clinical and legal services. Certain donated amounts have not been recognized in the accompanying statements of activities because the criteria for recognition of such volunteer efforts under SFAS No. 116 have not been satisfied. Donated services meeting the criteria of SFAS No. 116 were included in In-kind donations on the statement of activities and amounted to \$14,476 in June 30, 2005 and \$10,020 in June 30, 2004.

GTC received donated educational expenses of \$1,460 for the year ended June 30, 2004 and are included in In-kind donations on the statement of activities.

NOTE 8 - TRUST ASSETS

Assets held in Trust include all fiduciary assets held as trustee, conservator, guardian or attorney-in-fact. These assets totaled \$12,317,494 at June 30, 2005 and \$11,324,824 at June 30, 2004 and are not considered part of the GTC financial statements.

NOTE 9 - CASH FLOW INFORMATION

There were no income taxes paid.

NOTE 10 - CONTRACTS

GTC has several contracts to provide limited guardianship services.

NOTE 11 - RESTRICTIONS ON NET ASSETS

Net assets were released from donor restrictions by incurring the expenses and by making the expenditure that was specified by the donors during June 30, 2005 and 2004.

Permanently restricted net assets consist of preferred stock organized to qualify as a real estate investment trust. Dividends from the stock are unrestricted and are deposited into the operating account.

GUARDIANSHIP AND TRUSTS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 12 - RETIREMENT PLAN

GTC adopted a 401(k) retirement plan on January 1, 2002. The plan allows eligible employees to defer up to 19% of their annual compensation, pursuant to Section 401(k) of the Internal Revenue Code. The Organization matches 25% of employee contributions up to a maximum of 4% of the employee's salary. Employees must be at least 21 years of age to participate. Matching contributions vest at 100% after the employee has completed three years of service.